

III. C. C. Docket 03-0162

Respondent's Exhibit 4

The Peoples Gas Light and Coke Company

Responses To
Commission Staff Data Requests Numbers SDR-1 through SDR-22

OFFICIAL FILE
I.C.C. DOCKET NO. 03-0162
Resp Exhibit No. 4
Witness _____
Date 3/15/04 Preparer [Signature]

RESPONSIBLE WITNESS: MATUSZAK

In making a determination as to the particular level of environmental remediation that will be required at any given site, and how that level of environmental remediation will be accomplished, each agency will rely upon the information that is gathered by the Company and its consultants during the various investigative phases that are performed. The activities that are conducted during the investigative phases are described in the Company's response to SDR 1.002(b). The activities that are performed during each of the investigative phases are highly complex, and require that the Company engage vendors with highly specialized experience and expertise.

After all of the investigative phases have been completed, the regulatory agency will begin to make a determination as to the level of environmental remediation that will be required at a given site, and how that level of remediation will be accomplished. In making these determinations, the agency will consider the information obtained during the investigative phases, the recommendations of the Company, the Company's consultants, the agency's consultants, and other factors that are described in the Company's response to SDR 1.002(c).

b. Prior to making a determination as to the level of environmental cleanup that will be required for a particular site, either the USEPA or IEPA will require that the Company perform several different types of environmental activities. The following environmental activities are generally undertaken to obtain the level of environmental cleanup that is required for any former MGP site.

First, there is screening and site characterization based on sampling analyses. Second, there is a risk assessment taking into account human health and ecological considerations and considering present and future uses for the site. Third, there is a feasibility study to evaluate the effectiveness of various remedies. Fourth, for sites under the supervision of the USEPA, there is a process for public comment on proposed remedies. While this is not a statutory requirement for sites supervised by the IEPA, the Company would likely undertake a public comment process.

Fifth, there is remedy selection. Sixth, there is remedial design. Seventh, there is remedial implementation. Finally, there is post-remedial monitoring.

In order to assist it in these activities, the Company engages an environmental engineering consultant and environmental counsel, each possessing a highly specialized level of relevant experience and expertise. The Company also utilizes a community relations specialist, which it consults with as required for any of its projects. The selection of qualified, experienced and reputable environmental engineering consultants, environmental counsel, community relations specialists and other reliable vendors is crucial in controlling the

RESPONSIBLE WITNESS: MATUSZAK

1. REQUEST:

Describe with specificity how the actions undertaken by the Company comply with each of the four prudence standards contained in the Commission's Order in Docket Nos. 91-0080 through 91-0095 (Consolidated).

RESPONSE:

The Commission's Order in Docket Nos. 91-0080 through 91-0095 (Consolidated) found that prudence of coal tar expenditures should be determined in accordance with the following four standards:

- (1) reasonable and appropriate business standards;
- (2) the requirements of relevant state and/or federal authorities;
- (3) minimization of costs to ratepayers, consistent with safety, reliability and quality assurance; and
- (4) based on facts and knowledge the Company knew or reasonably should have known at the time the expenditures were made.
(Order in Consolidated Dockets 91-0080 through 91-0095, dated September 30, 1992, p. 79-81.)

The Company's compliance with these four standards is demonstrated in the direct testimony of Mr. Steven J. Matuszak, the Company's witness in this proceeding. Mr. Matuszak states that the Company uses the above-quoted standards in determining whether or not to make expenditures in complying with environmental laws and regulations. Matuszak Test., p. 3.

The two main standards are the second and third standards. The fourth standard is actually more of a standard to be used by the Commission in determining the prudence of a utility's expenditures for environmental activities. That is, the Commission is to determine prudence based on facts and knowledge available to the utility at the time it made its decision, not based on a 20/20 hindsight review. The first standard -- a reasonable and appropriate business standard -- really follows from the second and third standards. That is, a utility which meets the requirements of state and federal law, while minimizing costs to ratepayers, without jeopardizing safety, reliability and quality assurance, is obviously following a reasonable and appropriate business standard.

With respect to the second standard, meeting the requirements of

RESPONSIBLE WITNESS: MATUSZAK

federal and state law, the Company complies fully with this standard as demonstrated in Mr. Matuszak's direct testimony. Mr. Matuszak testifies that the Company incurs costs in complying with recently enacted laws and regulations. Matuszak Test., p. 5. His testimony describes in detail how the Company interacts with the two agencies responsible for enforcing federal and state environmental laws -- the United States Environmental Protection Agency ("USEPA") and the Illinois Environmental Protection Agency ("IEPA"). See Matuszak Test., pp. 5-6. The Company's compliance with federal and state laws is also demonstrated in Mr. Matuszak's description of the actual expenditures made during fiscal year 2002 at specific manufactured gas plant sites. See Matuszak Test., pp. 9-20. The Company's compliance with federal and state law is also shown in its Exhibit 1, the Company's report to the Commission filed pursuant to Rider 11, Adjustment for Incremental Costs of Environmental Activities, of its rate schedule. Furthermore, compliance with federal and state law is also demonstrated by the Company's responses to Staff Data Request Nos. SDR 1.002, 1.006, 1.015, 1.017, 1.018 and 1.021.

With respect to the third standard, minimization of costs, Mr. Matuszak testifies that the Company's policy is to control environmental compliance costs to the fullest possible extent. Accordingly, the Company will only make expenditures when it is determined prudent to do so. Matuszak Test, p. 3. Mr. Matuszak further testifies that the most effective way for the Company to control costs is to be actively involved in the determinations that are made regarding the timing, choice, and scope of environmental activities. Matuszak Test., pp. 3-4. In addition, the Company's policy is to make all reasonable efforts necessary to vigorously pursue recovery of the incremental costs incurred as a result of environmental activities from potentially responsible parties ("PRPs") and insurance carriers. Matuszak Test., pp. 6-7.

The Company's policy to minimize costs is demonstrated in Mr. Matuszak's description of the expenditures for environmental activities that the Company has made during fiscal year 2002. Matuszak Test., pp. 9-20. In particular, Mr. Matuszak describes the efforts the Company has made to pursue cost recovery from its insurance carriers. Matuszak Test., p. 20.

The Company's compliance with the Commission's third standard is also demonstrated in the Company's Exhibit 1 and the Company's responses to Staff Data Request Nos. CLB 1.004 and 1.005 and SDR 1.002 through 1.022.

RESPONSIBLE WITNESS: MATUSZAK

2. REQUEST:

This request pertains to the level of environmental cleanup required at each MGP site.

- a. For each MGP site, describe the level of environmental cleanup required.
- b. List the steps that must be taken to obtain the level of environmental cleanup required.
- c. Explain and evaluate any alternative levels of environmental cleanup that may be applicable for each site.

RESPONSE:

a. It is the responsibility of the United States Environmental Protection Agency, Region V ("USEPA") to determine the level of environmental remediation that will be required for each of the Company's former MGP sites that are under its regulatory supervision. The Illinois Environmental Protection Agency ("IEPA") is responsible for making the determination as to the level of environmental remediation that will be required for each of the Company's former MGP sites that are under its regulatory supervision. Either agency can assert its regulatory authority over any particular site that is located within its jurisdiction. Absent unusual circumstances, the USEPA will generally refrain from asserting jurisdiction over sites that are under the regulatory supervision of the IEPA. When the USEPA has asserted its regulatory authority over a site, it will consult the IEPA which will participate in the oversight process.

Each regulatory agency is vested with extensive statutory discretion in determining both the level of environmental remediation that it will require at a given site, and how that level of remediation will be accomplished. Because of the wide discretion that is vested in the environmental regulatory agencies, it is necessary for the Company to actively participate in every phase of the site investigative and remedy selection processes.

This participation is necessary so as to allow the Company to negotiate effectively with the agency regarding the various stages of the remediation process. This, in turn, gives the Company the opportunity to minimize, to the fullest extent possible, the total cost of the environmental remediation of a particular site in a manner that is consistent with legal and regulatory requirements.

The Peoples Gas Light and Coke Company
DOCKET NO. 03-0162
RESPONSE TO DATA REQUEST: SDR 1.002

RESPONSIBLE WITNESS: MATUSZAK

total cost of a remediation project in a manner that is consistent with the requirements imposed by the regulatory agency. The selection of experienced and reputable vendors enables the Company to negotiate more effectively with the agency, thus giving the Company the opportunity to minimize to the fullest extent possible the total cost of a remediation project in a manner that is consistent with legal and regulatory requirements.

In selecting these vendors, the Company's personnel consider many factors. Such factors include: the vendor's prior MGP experience; the vendor's experience at sites within the USEPA's Region V; the vendor's reputation in the industry; the Company's past experience with the vendor; its general capabilities; its general approach to environmental investigations; billing methods and projected implementation costs; and the professional qualifications of those individuals who would perform work on the project.

c. The level of environmental remediation that may be required for any particular former MGP site is determined by the USEPA or the IEPA based on the regulatory requirements related to the media affected by the contamination (e.g., soil or groundwater) and human health and ecological risk factors.

The Peoples Gas Light and Coke Company

DOCKET NO. 03-0162

RESPONSE TO DATA REQUEST: SDR 1.003

RESPONSIBLE WITNESS: MATUSZAK

3. REQUEST:

Has the Company ever received a site remediation letter from the Illinois Environmental Protection Agency indicating that no further remediation is required at a specific MGP site? If yes, provide a copy of each site remediation letter received.

RESPONSE:

Yes, during the reconciliation period, the Illinois Environmental Protection Agency has issued No Further Remediation ("NFR") letters with respect to portions of the Calumet Station and North Shore Avenue Station sites. A copy of each NFR letter is attached.



ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 NORTH GRAND AVENUE EAST, P.O. BOX 19276, SPRINGFIELD, ILLINOIS 62794-9276

RENEE CIPRIANO, DIRECTOR

(217) 782-6761

March 1, 2002

CERTIFIED MAIL

Charles Thompson
The Peoples Gas Light and Coke Company
130 East Randolph Drive
Chicago, IL 60601

Re: 0316025088/Cook County
Chicago/ Rogers Park Sub-Shop Pond Parcel Site
Site Remediation Program/Technical Reports

Dear Mr. Thompson:

The *Remediation Objectives Report/Remedial Action Plan/Remedial Action Completion Report* (November 13, 2001/01-5165 and February 18, 2002/02-0609), as prepared by Burns & McDonnell for the Rogers Park Sub-Shop Pond Parcel property, has been reviewed by the Illinois Environmental Protection Agency ("Illinois EPA"). The approved remediation objectives at the Site are equal to or are above the existing levels of regulated substances and the *Remediation Objectives Report/Remedial Action Plan/Remedial Action Completion Report* shall serve as the approved Remedial Action Completion Report.

The Remediation Site, consisting of approximately two (2) acres, is located at 6631 North Kedzie Avenue, Chicago, Illinois. Pursuant to Section 58.10 of the Illinois Environmental Protection Act ("Act") (415 ILCS 5/1 et seq.), your request for a no further remediation determination is granted under the conditions and terms specified in this letter. The Remediation Applicant, as identified on the Illinois EPA's Site Remediation Program DRM-1 Form (October 25, 2001/01-4009), is The Peoples Gas Light and Coke Company.

This comprehensive No Further Remediation Letter ("Letter") signifies a release from further responsibilities under the Act for the performance of the approved remedial action. This Letter shall be considered prima facie evidence that the Remediation Site described in the attached Illinois EPA Site Remediation Program Environmental Notice and shown in the attached Site Base Map does not constitute a threat to human health and the environment and does not require further remediation under the Act if utilized in accordance with the terms of this Letter.

GEORGE H. RYAN, GOVERNOR

Conditions and Terms of Approval

Level of Remediation and Land Use Limitations

- 1) The Remediation Site is approved for Residential or Industrial/Commercial land use.
- 2) The land use specified in this Letter may be revised if:
 - a) Further investigation or remedial action has been conducted that documents the attainment of objectives appropriate for the new land use; and
 - b) A new Letter is obtained and recorded in accordance with Title XVII of the Act and regulations adopted thereunder.

Other Terms

- 3) Where the Remediation Applicant is not the sole owner of the Remediation Site, the Remediation Applicant shall complete the attached *Property Owner Certification of the No Further Remediation Letter under the Site Remediation Program* Form. This certification, by original signature of each property owner, or the authorized agent of the owner(s), of the Remediation Site or any portion thereof who is not a Remediation Applicant shall be recorded along with this Letter.
- 4) Further information regarding this Remediation Site can be obtained through a written request under the Freedom of Information Act (5 ILCS 140) to:

Illinois Environmental Protection Agency
Attn: Freedom of Information Act Officer
Bureau of Land-#24
1021 North Grand Avenue East
Post Office Box 19276
Springfield, IL 62794-9276

- 5) Pursuant to Section 58.10(f) of the Act (415 ILCS 5/58.10(f)), should the Illinois EPA seek to void this Letter, the Illinois EPA shall provide notice to the current title holder and to the Remediation Applicant at the last known address. The notice shall specify the cause for the voidance, explain the provisions for appeal, and describe the facts in support of this cause. Specific acts or omissions that may result in the voidance of the Letter under Sections 58.10(e)(1)-(7) of the Act (415 ILCS 5/58.10(e)(1)-(7)) include, but shall not be limited to:
 - a) Any violation of institutional controls or the designated land use restrictions;
 - b) The failure to operate and maintain preventive or engineering controls or to comply with any applicable groundwater monitoring plan;
 - c) The disturbance or removal of contamination that has been left in-place in accordance with the Remedial Action Plan. Access to soil contamination may be allowed if, during and after any access, public health and the environment are protected consistent with the Remedial Action Plan;

- d) The failure to comply with the recording requirements for this Letter;
 - e) Obtaining the Letter by fraud or misrepresentation;
 - f) Subsequent discovery of contaminants, not identified as part of the investigative or remedial activities upon which the issuance of the Letter was based, that pose a threat to human health or the environment;
 - g) The failure to pay the No Further Remediation Assessment Fee within forty-five (45) days after receiving a request for payment from the Illinois EPA;
 - h) The failure to pay in full the applicable fees under the Review and Evaluation Services Agreement within forty-five (45) days after receiving a request for payment from the Illinois EPA.
- 6) Pursuant to Section 58.10(d) of the Act, this Letter shall apply in favor of the following persons:
- a) The Peoples Gas Light and Coke Company;
 - b) The owner and operator of the Remediation Site;
 - c) Any parent corporation or subsidiary of the owner of the Remediation Site;
 - d) Any co-owner, either by joint-tenancy, right of survivorship, or any other party sharing a relationship with the owner of the Remediation Site;
 - e) Any holder of a beneficial interest of a land trust or inter vivos trust, whether revocable or irrevocable, involving the Remediation Site;
 - f) Any mortgagee or trustee of a deed of trust of the owner of the Remediation Site or any assignee, transferee, or any successor-in-interest thereto;
 - g) Any successor-in-interest of the owner of the Remediation Site;
 - h) Any transferee of the owner of the Remediation Site whether the transfer was by sale, bankruptcy proceeding, partition, dissolution of marriage, settlement or adjudication of any civil action, charitable gift, or bequest;
 - i) Any heir or devisee of the owner of the Remediation Site;
 - j) Any financial institution, as that term is defined in Section 2 of the Illinois Banking Act and to include the Illinois Housing Development Authority, that has acquired the ownership, operation, management, or control of the Remediation Site through foreclosure or under the terms of a security interest held by the financial institution, under the terms of an extension of credit made by the financial institution, or any successor-in-interest thereto; or

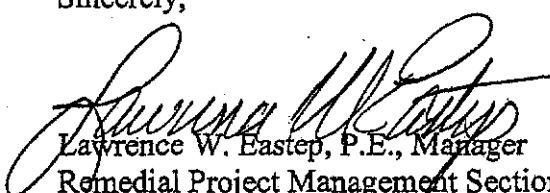
- k) In the case of a fiduciary (other than a land trustee), the estate, trust estate, or other interest in property held in a fiduciary capacity, and a trustee, executor, administrator, guardian, receiver, conservator, or other person who holds the remediated site in a fiduciary capacity, or a transferee of such party.
- 7) This letter, including all attachments, must be recorded as a single instrument within forty-five (45) days of receipt with the Office of the Recorder of Cook County. For recording purposes, the Illinois EPA Site Remediation Program Environmental Notice attached to this Letter should be the first page of the instrument filed. This Letter shall not be effective until officially recorded by the Office of the Recorder of Cook County in accordance with Illinois law so that it forms a permanent part of the chain of title for the Rogers Park Sub-Shop Pond Parcel property.
- 8) Within thirty (30) days of this Letter being recorded by the Office of the Recorder of Cook County, a certified copy of this Letter, as recorded, shall be obtained and submitted to the Illinois EPA to:

Robert E. O'Hara
Illinois Environmental Protection Agency
Bureau of Land/RPMS
1021 North Grand Avenue East
Post Office Box 19276
Springfield, IL 62794-9276

- 9) In accordance with Section 58.10(g) of the Act, a No Further Remediation Assessment Fee based on the costs incurred for the Remediation Site by the Illinois EPA for review and evaluation services will be applied in addition to the fees applicable under the Review and Evaluation Services Agreement. Request for payment of the No Further Remediation Assessment Fee will be included with the billing statement.

If you have any questions regarding this correspondence, you may contact the Illinois EPA project manager, Jennifer M. Seul at 217/785-9399.

Sincerely,



Lawrence W. Eastep, P.E., Manager
Remedial Project Management Section
Division of Remediation Management
Bureau of Land

Attachments(3): Illinois EPA Site Remediation Program Environmental Notice
Site Base Map
Property Owner Certification of No Further Remediation Letter under the
Site Remediation Program Form

cc: Margaret Kelly, P.E.
Burns and McDonnell
2601 West 22nd Street
Oak Brook, Illinois 60523-1229

bcc: Records Unit
Bob O'Hara
Ginger Miller

PREPARED BY:

Name: Charles Thompson
The Peoples Gas Light and Coke Company

Address: 130 East Randolph Drive
Chicago, Illinois 60601

0020329734

2644/0803 49 001 Page 1 of 10

2002-03-22 09:57:28

Cook County Recorder 39.50

RETURN TO:

Name: Charles Thompson
The Peoples Gas Light and Coke Company

Address: 130 East Randolph Drive
Chicago, Illinois 60601

THE ABOVE SPACE FOR RECORDER'S OFFICE

This Environmental No Further Remediation Letter must be submitted by the remediation applicant within 45 days of its receipt, to the Office of the Recorder of Cook County.

Illinois State EPA Number: 0316025088

The Peoples Gas Light and Coke Company, the Remediation Applicant, whose address is 130 East Randolph Drive, Chicago, Illinois 60601 has performed investigative and/or remedial activities for the remediation site depicted on the attached Site Base Map and identified by the following:

1. Legal description or Reference to a Plat Showing the Boundaries: That Part of Lot 2 (except the west 66 feet thereof) in the subdivision of the west $\frac{1}{2}$ (in area) of the southwest fractional $\frac{1}{4}$ of Section 36, Township 41 North, Range 13, East of the Third Principal Meridian, lying north of the Indian Boundary Line in Cook County, Illinois, More Particularly described as follows:

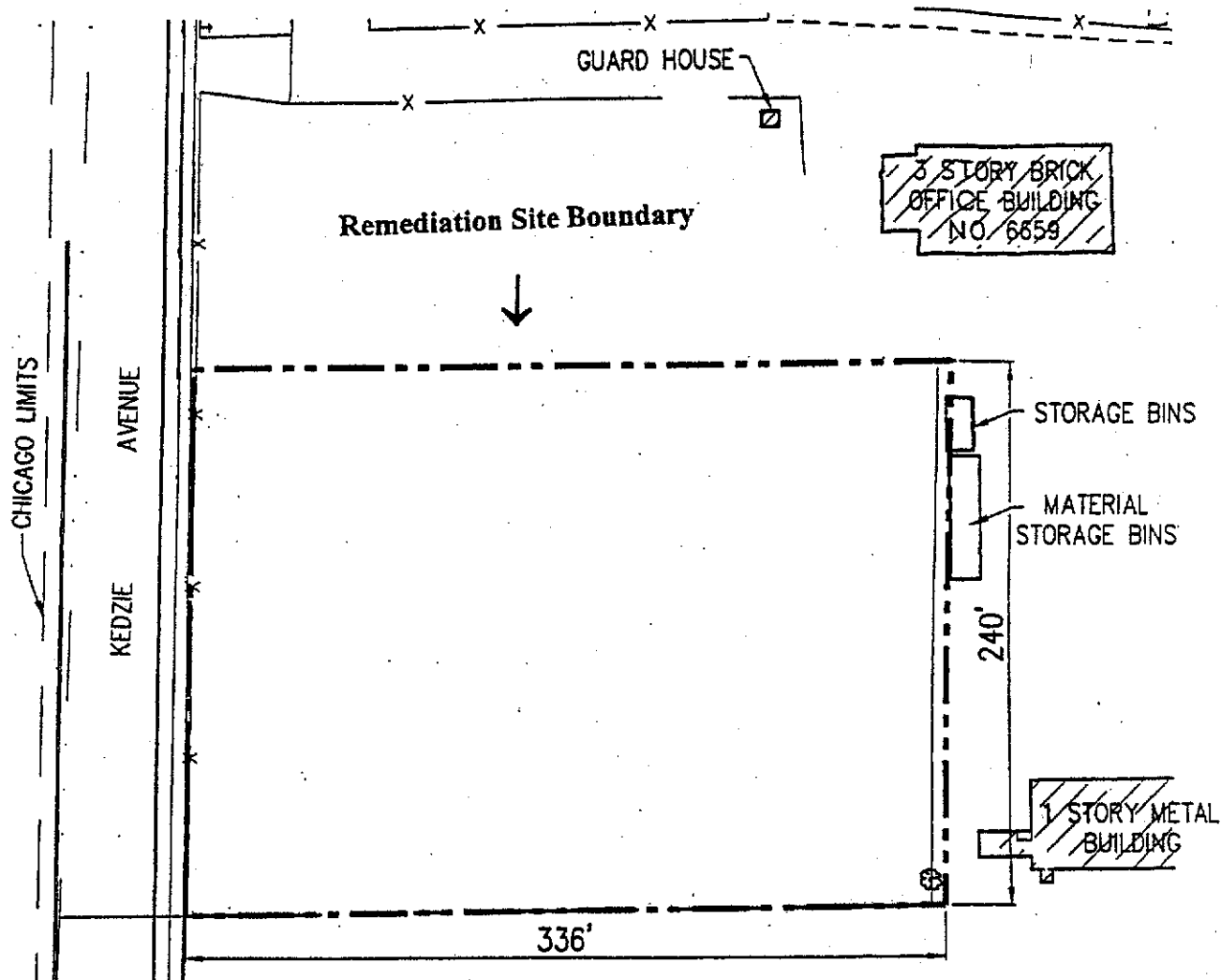
Commencing at the southeast corner of said Lot 2; thence south $89^{\circ}51'56''$ west on the south line of said Lot 2, 408.81 feet to the point of beginning; Thence continuing south $89^{\circ}51'56''$ west on the south line of said Lot 2, 330.00 feet, more or less, to the easterly line of Kedzie Avenue; Thence North $01^{\circ}35'45''$ east of the easterly line on Kedzie Avenue, 240.00 feet; Thence North $89^{\circ}51'56''$ east, 330.00 feet; Thence south $01^{\circ}35'45''$ west, 240.00 feet to the Point of Beginning, All in Cook County, Illinois.

2. Common Address: 6631 North Kedzie, Chicago, IL
3. Real Estate Tax Index/Parcel Index Number: 10-36-300-004
4. Remediation Site Owner: The Peoples Gas Light and Coke Company
5. Land Use: Residential and Industrial/Commercial

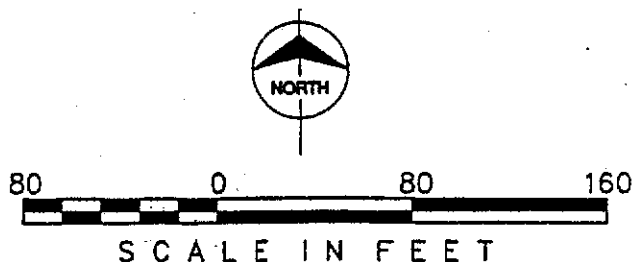
6. Site Investigation: Comprehensive

See NFR letter for other terms.

Site Base Map
0316025088 - Cook County
Chicago/Rogers Park Sub-Shop Pond Parcel
Site Remediation Program



--- REMEDIATION SITE BOUNDARY
 PIN: PART OF 10-36-300-004



REMEDIATION BOUNDARY PLAN
ROGERS PARK SUB-SHOP - POND PARCEL
THE PEOPLES GAS LIGHT AND COKE COMPANY
CHICAGO, ILLINOIS

PROPERTY OWNER CERTIFICATION OF THE NFR LETTER UNDER THE SITE REMEDIATION PROGRAM

If the Remediation Applicant is not the sole owner of the remediation site, include the full legal name, title, the company, the street address, the city, the state, the ZIP code, and the telephone number of all other property owners. Include the site name, street address, city, ZIP code, county, Illinois inventory identification number and real estate tax index/parcel index number. The property owner(s), or the duly authorized agent of the owner(s) must certify, by original signature, the statement appearing below.

A duly authorized agent means a person who is authorized by written consent or by law to act on behalf of a property owner including, but not limited to:

1. For corporations, a principal executive officer of at least the level of vice-president;
2. For a sole proprietorship or partnership, the proprietor or a general partner, respectively; and
3. For a municipality, state or other public agency, the head of the agency or ranking elected official.

For multiple property owners, attach additional sheets containing the information described above; along with a signed, dated certification for each. All property owner certifications must be recorded along with the attached NFR letter.

Property Owner Information	
Owner's Name:	_____
Title:	_____
Company:	_____
Street Address:	_____
City:	_____ State: _____ Zip Code: _____ Phone: _____
Site Information	
Site Name:	_____
Site Address:	_____
City:	_____ State: _____ Zip Code: _____ County: _____
Illinois inventory identification number:	_____
Real Estate Tax Index/Parcel Index No.	_____
<p>I hereby certify that I have reviewed the attached No Further Remediation Letter and that I accept the terms and conditions and any land use limitations set forth in the letter.</p> <p>Owner's Signature: _____ Date: _____</p> <p>SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____, 20____</p> <p>_____ Notary Public</p>	

The Illinois EPA is authorized to require this information under Sections 415 ILCS 5/58 - 58.12 of the Environmental Protection Act and regulations promulgated thereunder. If the Remediation Applicant is not also the sole owner of the remediation site, this form must be completed by all owners of the remediation site and recorded with the NFR Letter. Failure to do so may void the NFR Letter. This form has been approved by the Forms Management Center. All information submitted to the Site Remediation Program is available to the public except when specifically designated by the Remediation Applicant to be treated confidentially as a trade secret or secret process in accordance with the Illinois Compiled Statutes, Section 7(a) of the Environmental Protection Act, applicable Rules and Regulations of the Illinois Pollution Control Board and applicable Illinois EPA rules and guidelines.



ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 NORTH GRAND AVENUE EAST, P.O. BOX 19276, SPRINGFIELD, ILLINOIS 62794-9276

RENEE CIPRIANO, DIRECTOR

(217) 782-6761

December 4, 2001

CERTIFIED MAIL

7099 3400 0014 9527 2576

Charles L. Thompson
The Peoples Gas Light and Coke Company
130 East Randolph Drive
20th Floor
Chicago, Illinois 60601

Re: 0316485068/Cook County
Chicago/Peoples Calumet LLC
Site Remediation Program/Technical Reports

Dear Mr. Thompson:

The *Remediation Objectives Report/Remedial Action Plan/Remedial Action Completion Report* (August 2001/01-3138), and a letter (November 14, 2001/01-5150) as prepared by Burns & McDonnell for the Peoples Calumet LLC property, have been reviewed by the Illinois Environmental Protection Agency ("Illinois EPA") and demonstrate that the remedial action was completed in accordance with the *Interim Removal Action Plan* (April 2000/00-2196).

The Remediation Site, consisting of 8.9 acres, is located at 3141 East 96th Street, Chicago, Illinois. Pursuant to Section 58.10 of the Illinois Environmental Protection Act ("Act") (415 ILCS 5/1 et seq.), your request for a no further remediation determination is granted under the conditions and terms specified in this letter. The Remediation Applicant, as identified on the Illinois EPA's Site Remediation Program DRM-1 Form (September 17, 1999/99-1879), is The Peoples Gas Light and Coke Company.

This comprehensive No Further Remediation Letter ("Letter") signifies a release from further responsibilities under the Act for the performance of the approved remedial action. This Letter shall be considered prima facie evidence that the Remediation Site described in the attached Illinois EPA Site Remediation Program Environmental Notice and shown in the attached Site Base Map does not constitute a threat to human health and the environment and does not require further remediation under the Act if utilized in accordance with the terms of this Letter.

GEORGE H. RYAN, GOVERNOR

Conditions and Terms of Approval

Level of Remediation and Land Use Limitations

- 1) The Remediation Site is restricted to Industrial/Commercial land use.
- 2) The land use specified in this Letter may be revised if:
 - a) Further investigation or remedial action has been conducted that documents the attainment of objectives appropriate for the new land use; and
 - b) A new Letter is obtained and recorded in accordance with Title XVII of the Act and regulations adopted thereunder.

Preventive, Engineering, and Institutional Controls

- 3) The implementation and maintenance of the following controls are required as part of the approval of the remediation objectives for this Remediation Site.

Institutional Controls:

- 4) No person shall construct, install, maintain, or operate a water system or well at the Remediation Site. All water supplies and water services for the Remediation Site must be obtained from a public water supply system. The provisions of this institutional control shall be applicable to all water usage (e.g., domestic, industrial/commercial uses and outdoor watering).

Other Terms

- 5) Where the Remediation Applicant is not the sole owner of the Remediation Site, the Remediation Applicant shall complete the attached *Property Owner Certification of the No Further Remediation Letter under the Site Remediation Program* Form. This certification, by original signature of each property owner, or the authorized agent of the owner(s), of the Remediation Site or any portion thereof who is not a Remediation Applicant shall be recorded along with this Letter.
- 6) Further information regarding this Remediation Site can be obtained through a written request under the Freedom of Information Act (5 ILCS 140) to:

Illinois Environmental Protection Agency
Attn: Freedom of Information Act Officer
Bureau of Land-#24
1021 North Grand Avenue East
Post Office Box 19276
Springfield, IL 62794-9276

- 7) Pursuant to Section 58.10(f) of the Act (415 ILCS 5/58.10(f)), should the Illinois EPA seek to void this Letter, the Illinois EPA shall provide notice to the current title holder and to the Remediation Applicant at the last known address. The notice shall specify the cause for the avoidance, explain the provisions for appeal, and describe the facts in support of this cause. Specific acts or omissions that may result in the avoidance of the Letter under Sections 58.10(e)(1)-(7) of the Act (415 ILCS 5/58.10(e)(1)-(7)) include, but shall not be limited to:
- a) Any violation of institutional controls or the designated land use restrictions;
 - b) The failure to operate and maintain preventive or engineering controls or to comply with any applicable groundwater monitoring plan;
 - c) The disturbance or removal of contamination that has been left in-place in accordance with the Remedial Action Plan. Access to soil contamination may be allowed if, during and after any access, public health and the environment are protected consistent with the Remedial Action Plan;
 - d) The failure to comply with the recording requirements for this Letter;
 - e) Obtaining the Letter by fraud or misrepresentation;
 - f) Subsequent discovery of contaminants, not identified as part of the investigative or remedial activities upon which the issuance of the Letter was based, that pose a threat to human health or the environment;
 - g) The failure to pay the No Further Remediation Assessment Fee within forty-five (45) days after receiving a request for payment from the Illinois EPA;
 - h) The failure to pay in full the applicable fees under the Review and Evaluation Services Agreement within forty-five (45) days after receiving a request for payment from the Illinois EPA.
- 8) Pursuant to Section 58.10(d) of the Act, this Letter shall apply in favor of the following persons:
- a) The Peoples Gas Light and Coke Company;
 - b) The owner and operator of the Remediation Site;
 - c) Any parent corporation or subsidiary of the owner of the Remediation Site;
 - d) Any co-owner, either by joint-tenancy, right of survivorship, or any other party sharing a relationship with the owner of the Remediation Site;
 - e) Any holder of a beneficial interest of a land trust or inter vivos trust, whether revocable or irrevocable, involving the Remediation Site;
 - f) Any mortgagee or trustee of a deed of trust of the owner of the Remediation Site or any assignee, transferee, or any successor-in-interest thereto;

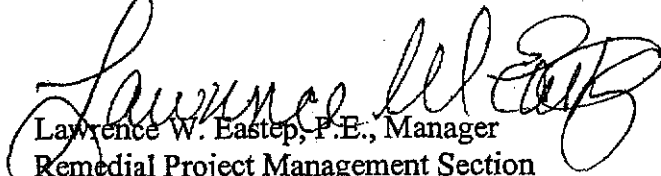
- g) Any successor-in-interest of the owner of the Remediation Site;
 - h) Any transferee of the owner of the Remediation Site whether the transfer was by sale, bankruptcy proceeding, partition, dissolution of marriage, settlement or adjudication of any civil action, charitable gift, or bequest;
 - i) Any heir or devisee of the owner of the Remediation Site;
 - j) Any financial institution, as that term is defined in Section 2 of the Illinois Banking Act and to include the Illinois Housing Development Authority, that has acquired the ownership, operation, management, or control of the Remediation Site through foreclosure or under the terms of a security interest held by the financial institution, under the terms of an extension of credit made by the financial institution, or any successor-in-interest thereto; or
 - k) In the case of a fiduciary (other than a land trustee), the estate, trust estate, or other interest in property held in a fiduciary capacity, and a trustee, executor, administrator, guardian, receiver, conservator, or other person who holds the remediated site in a fiduciary capacity, or a transferee of such party.
- 9) This letter, including all attachments, must be recorded as a single instrument within forty-five (45) days of receipt with the Office of the Recorder of Cook County. For recording purposes, the Illinois EPA Site Remediation Program Environmental Notice attached to this Letter should be the first page of the instrument filed. This Letter shall not be effective until officially recorded by the Office of the Recorder of Cook County in accordance with Illinois law so that it forms a permanent part of the chain of title for the Peoples Calumet LLC property.
- 10) Within thirty (30) days of this Letter being recorded by the Office of the Recorder of Cook County, a certified copy of this Letter, as recorded, shall be obtained and submitted to the Illinois EPA to:

Robert E. O'Hara
Illinois Environmental Protection Agency
Bureau of Land/RPMS
1021 North Grand Avenue East
Post Office Box 19276
Springfield, IL 62794-9276

- 11) In accordance with Section 58.10(g) of the Act, a No Further Remediation Assessment Fee based on the costs incurred for the Remediation Site by the Illinois EPA for review and evaluation services will be applied in addition to the fees applicable under the Review and Evaluation Services Agreement. Request for payment of the No Further Remediation Assessment Fee will be included with the billing statement.

If you have any questions regarding the Peoples Calumet LLC site, you may contact the Illinois EPA project manager, Jennifer M. Seul at 217/785-9399.

Sincerely,


Lawrence W. Eastep, P.E., Manager
Remedial Project Management Section
Division of Remediation Management
Bureau of Land

Attachments(3): Illinois EPA Site Remediation Program Environmental Notice
Site Base Map
Property Owner Certification of No Further Remediation Letter under the
Site Remediation Program Form

cc: Peoples Calumet LLC
William E. Morrow
150 North Michigan Avenue
Suite 3900
Chicago, Illinois 60601

Burns & McDonnell Engineering Company, Inc.
Margaret H. Kelly
2601 West 22nd Street
Oak Brook, Illinois 60523-1229

Commissioner
Chicago Department of Environment
25th Floor
30 North LaSalle Street
Chicago, Illinois 60602-2575

PREPARED BY:

Name: Charles Thompson
The Peoples Gas Light and Coke Company

Address: 130 East Randolph Drive
20th Floor
Chicago, Illinois 60601

RETURN TO:

Name: Charles Thompson
The Peoples Gas Light and Coke Company

Address: 130 East Randolph Drive
20th Floor
Chicago, Illinois 60601

THE ABOVE SPACE FOR RECORDER'S OFFICE

This Environmental No Further Remediation Letter must be submitted by the remediation applicant within 45 days of its receipt, to the Office of the Recorder of Cook County.

Illinois State EPA Number: 0316485068

The Peoples Gas Light and Coke Company, the Remediation Applicant, whose address is 130 East Randolph Drive, Chicago, Illinois 60601 has performed investigative and/or remedial activities for the remediation site depicted on the attached Site Base Map and identified by the following:

1. Legal description or Reference to a Plat Showing the Boundaries: That part of fractional Section 6, south of the Indian Boundary Line in Township 37 North, Range 15 East of the Third Principal Meridian, bounded and described as follows:

Commencing at the intersection of the easterly line of the land conveyed by John Mohr and Sons to James Stillwell by warranty deed dated April 22, 1916 and recorded April 25, 1916 and the southwesterly line of the Calumet Skyway Toll Bridge, as conveyed to the City of Chicago by quit claim deed recorded July 13, 1956 as Torrens Document No. 1682620;

Thence southeastwardly along said southwesterly line, being the arc of the circle convex to the southwest, having a chord bearing of south 39 degrees 31 minutes 23 seconds east and a radius of 5814.65 feet, a distance 24.62 feet to the point of beginning;

Thence continuing along said southeasterly line of the Calumet Skyway Toll Bridge, being the arc of a circle convex to the southwest, having a chord bearing of south 43 degrees 32 minutes 02 seconds east and a radius of 5814.65 feet, a distance of 792.28 feet to a point of tangency;

Thence continuing south 47 degrees 26 minutes 17 seconds east along the southeasterly line of said Calumet Skyway Toll Bridge, being a straight line, a distance of 64.66 feet;

Thence south 12 degrees 49 minutes 20 seconds east, a distance of 458.31 feet to an intersection with a line 20.00 feet north of and parallel with the aforesaid south line of fractional Section 6, south of the Indian Boundary Line;

Thence north 90 degrees 00 minutes 00 seconds west along said parallel line, a distance of 521.30 feet;

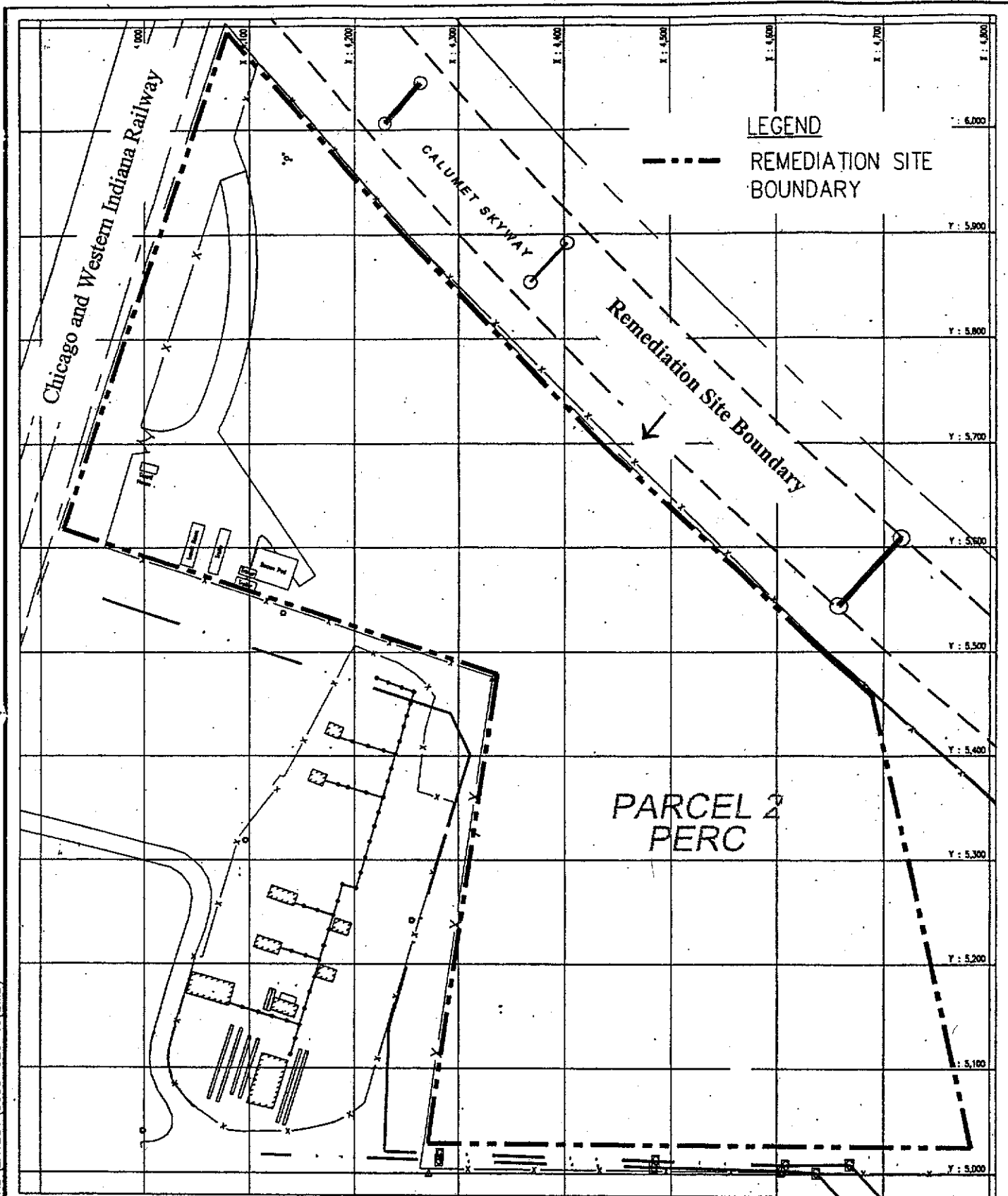
(Illinois EPA Site Remediation Program Environmental Notice)

Thence north 08 degrees 20 minutes 26 seconds east, a distance of 461.67 feet;
Thence north 71 degrees 28 minutes 01 second west, a distance of 390.39 feet;
Thence north 17 degrees 19 minutes 01 second east, a distance of 452.44 feet;
Thence north 72 degrees 40 minutes 59 seconds west, a distance of 20.00 feet;
Thence north 17 degrees 19 minutes 01 second east, a distance of 47.96 feet, to the point of
beginning, in Cook County, Illinois.

2. Common Address: 3141 East 96th Street, Chicago, Illinois
3. Real Estate Tax Index/Parcel Index Numbers: 26-06-428-005-0000, 26-06-428-006-0000, 26-06-428-011-0000, 26-06-428-016-0000, and 26-06-428-019-0000
4. Remediation Site Owner: Peoples Calumet LLC
5. Land Use: Industrial/Commercial
6. Site Investigation: Comprehensive

See NFR letter for other terms.

I:\PEOPLES C \CALUMET\CAD\LATEST\0030-020-19(BMD)



130 0 130
SCALE IN FEET

**Burns &
McDonnell**
SINCE 1896

Figure 5

Site Base Map
0316485068 – Cook County
Chicago/Peoples Calumet LLC
Site Remediation Program

**PROPERTY OWNER CERTIFICATION OF THE NFR LETTER
UNDER THE SITE REMEDIATION PROGRAM**

If the Remediation Applicant is not the sole owner of the remediation site, include the full legal name, title, the company, the street address, the city, the state, the ZIP code, and the telephone number of all other property owners. Include the site name, street address, city, ZIP code, county, Illinois inventory identification number and real estate tax index/parcel index number. The property owner(s), or the duly authorized agent of the owner(s) must certify, by original signature, the statement appearing below.

A duly authorized agent means a person who is authorized by written consent or by law to act on behalf of a property owner including, but not limited to:

1. For corporations, a principal executive officer of at least the level of vice-president;
2. For a sole proprietorship or partnership, the proprietor or a general partner, respectively; and
3. For a municipality, state or other public agency, the head of the agency or ranking elected official.

For multiple property owners, attach additional sheets containing the information described above, along with a signed, dated certification for each. All property owner certifications must be recorded along with the attached NFR letter.

Property Owner Information	
Owner's Name: _____	
Title: _____	
Company: _____	
Street Address: _____	
City: _____	State: _____ Zip Code: _____ Phone: _____
Site Information	
Site Name: _____	
Site Address: _____	
City: _____	State: _____ Zip Code: _____ County: _____
Illinois inventory identification number: _____	
Real Estate Tax Index/Parcel Index No. _____	
I hereby certify that I have reviewed the attached No Further Remediation Letter and that I accept the terms and conditions and any land use limitations set forth in the letter.	
Owner's Signature: _____ Date: _____	
SUBSCRIBED AND SWORN TO BEFORE ME this _____ day of _____, 20__	
_____ Notary Public	

The Illinois EPA is authorized to require this information under Sections 415 ILCS 5/58 - 58.12 of the Environmental Protection Act and regulations promulgated thereunder. If the Remediation Applicant is not also the sole owner of the remediation site, this form must be completed by all owners of the remediation site and recorded with the NFR Letter. Failure to do so may void the NFR Letter. This form has been approved by the Forms Management Center. All information submitted to the Site Remediation Program is available to the public except when specifically designated by the Remediation Applicant to be treated confidentially as a trade secret or secret process in accordance with the Illinois Compiled Statutes, Section 7(a) of the Environmental Protection Act, applicable Rules and Regulations of the Illinois Pollution Control Board and applicable Illinois EPA rules and guidelines.

The Peoples Gas Light and Coke Company
DOCKET NO. 03-0162
RESPONSE TO DATA REQUEST: SDR 1.004

RESPONSIBLE WITNESS: MATUSZAK

4. REQUEST:

Describe how the Company monitors the actual on-site investigation and remediation activities.

RESPONSE:

The Company monitors the actual on-site investigation and remediation activities by the use of its employees, and with one or more consultants engaged for this purpose. The methods employed to monitor on-site activities will depend upon the type of activity that is being conducted.

Prior to the commencement of the on-site investigation phase, the Company engages one or more environmental engineering consultants to assist it. During the on-site investigation phase, the Company's personnel will generally oversee the investigative activities that are conducted at the site by the consultant. The consultant, in turn, oversees the activities that are conducted by the subcontractors. The Company's personnel also review the contents of the test results from analytical laboratories, drilling and well logs, hazardous waste shipment manifests, and other reports and documents that are submitted by the Company's environmental engineering consultant relative to the on-site activities that are conducted by the consultant and its subcontractors.

Prior to the commencement of the on-site remediation phase, the Company engages an environmental engineering consultant. This consultant may or may not be the same environmental engineering consultant that the Company engages to perform work during the on-site investigation phase. Thereafter, proposals are solicited for the remediation project from several knowledgeable and experienced remediation contractors. These proposals are reviewed, and with the assistance of the Company's environmental engineering consultant, the appropriate contractor for the project is selected to perform remedial work at the site.

During the remediation phase, the Company's personnel generally oversee all of the on-site remediation activities. The Company's environmental engineering consultant generally oversees the activities of the remediation contractor. The remediation contractor, in turn, monitors the activities of the subcontractors who perform work during the remediation phase. The Company's personnel, the Company's environmental engineering consultant and the remediation contractor also interact with agency personnel assigned to oversee on-site remediation activities.

The Peoples Gas Light and Coke Company

DOCKET NO. 03-0162

RESPONSE TO DATA REQUEST: SDR 1.004

RESPONSIBLE WITNESS: MATUSZAK

In certain instances involving parcels which the Company no longer owns, the Company arranges to have the property owner's consultant preform the on-site work. In such instances, some of the activities described above may be performed by the owner's consultant. The Company effectively monitors the performance of the investigation and remediation activities through review of reports and other documentation, discussions with the owner's consultant and site observation, as appropriate and as permitted by the site owner.

The Peoples Gas Light and Coke Company

DOCKET NO. 03-0162

RESPONSE TO DATA REQUEST: SDR 1.005

RESPONSIBLE WITNESS: MATUSZAK

5. REQUEST:

This request pertains to the Company's forecasting of MGP environmental cleanup costs for the reconciliation period.

- a. Explain the forecasting methods used by the Company to determine MGP environmental cleanup costs for the reconciliation period.
- b. Describe how the forecasted cost amounts were determined.
- c. Include explanations for each instance where the actual costs, by site or account code, deviated from the forecast costs by 10% or more.
- d. Explain how these cost forecasts were used by the Company for the reconciliation period.

RESPONSE:

a.-d. Unlike some other gas utilities, the Company's "MGP environmental cleanup costs for the reconciliation period" recovered from customers through Rider 11 are not determined based on forecasts, but on actual incurred incremental costs for environmental activities.

RESPONSIBLE WITNESS: MATUSZAK

6. REQUEST:

Provide a copy of all written procedures for MGP environmental cleanup purchasing and contracting that were in effect during the reconciliation period or that were in effect when past MGP environmental cleanup purchases and contracts were made that extended into the reconciliation period.

RESPONSE:

The Company's written procedures for the procurement of all goods and services, including the goods and services that are necessary to conduct MGP related environmental activities, that were in effect during the reconciliation period, are attached hereto. General Order No. 10, issued May 1, 1999, is entitled "Competitive Bid Policy", and states the Company's general policies regarding the acquisition of goods and services. The Company's General Order No. 12, issued August 13, 1998, is entitled "Approval of Disbursement Documents". The Company's Routine 101, issued by the Company's Procurement Department, represents a general overview of the process that is involved in the purchase and payment for materials and services.

General Order No. 10 states the Company's general policy of utilizing competitive bidding for the procurement of goods and services. Where appropriate, the Company utilizes the competitive bidding procedures described in General Order No. 10 to engage vendors of MGP related goods and services. General Order No. 10 also recognizes that there are circumstances where departures from competitive bidding are appropriate. General Order 10 recognizes the fact that services of a highly specialized, professional, or highly technical nature may be required by the Company, and that the utilization of the formal competitive bidding process is not always practical and appropriate for the procurement of such goods and services.

The circumstances which call for departure from the competitive bidding process are especially relevant when the procurement of MGP environmental cleanup related goods and services is concerned. Because the problems associated with MGP environmental cleanup projects are complex, and because of the magnitude of the Company's potential exposure, it is necessary that the Company engage highly specialized and experienced environmental engineering consultants, law firms, insurance archaeologists, and other reliable vendors of goods and services. The uniqueness of the problems associated with MGP environmental cleanup projects, as well as the highly specialized nature of the goods and services that are required to successfully complete these projects, sometimes render competitive bidding

The Peoples Gas Light and Coke Company

DOCKET NO. 03-0162

RESPONSE TO DATA REQUEST: SDR 1.006

RESPONSIBLE WITNESS: MATUSZAK

inappropriate.

There are many uncertainties that are associated with MGP remediation projects. The nature, scope and magnitude of a remediation project are rarely known prior to the commencement of the investigation of the site. As a result of these uncertainties, the Company's potential needs for a given project can usually only be expressed in very broad terms. As such, it is virtually impossible for the Company to draft detailed requests for proposals that accurately specify all of the goods and services that it will require to complete a remediation project. Because the Company can only describe an upcoming remediation project in very broad terms, it is very difficult for a vendor to submit a detailed, formal bid in response to the Company's request for proposal. Consequently, formal competitive bids are not always helpful to the Company in the selection of many of the vendors of the goods and services that are required for MGP remediation projects.

In addition, the qualifications of the vendors that are sought by the Company for its MGP remediation projects, as well as the quality of the specialized and technical services that they provide, are not easily quantifiable. These services include the provision of sound and reliable advice and judgment, upon which the Company relies heavily. The ability of vendors to provide these valued services cannot always be determined by the Company through a competitive bidding process.

Peoples Energy
Office of the President

Classification:	ORDER	DATE
General	10	May 1, 1999
Subject:	SUPERSEDING ORDER	DATED
Competitive Bid Policy	10	October 1, 1996

To Officers and Department Heads, and
Other Supervisory Personnel:

The Manager of Purchasing, or the Manager's designated representative, has the authority and the responsibility for procurement of all materials, equipment, supplies and services (except Gas Supply related acquisitions) necessary to maintain the Company as a vigorous, growing, and profitable business enterprise. The acquisition of all materials, equipment and services, including but not limited to management consultants, computer services and equipment, construction projects, rentals and disposal of salvage or scrap materials and similar items shall be on the basis of Most Favorable Cost to the Company. The "Most Favorable Cost" is determined by considering and documenting, if necessary, all relevant factors including but not limited to: 1) direct charges for the service or supply; 2) transportation; 3) inventory costs; 4) handling, particularly the cost of Company labor; 5) quality of the vendor's product or service; and 6) efficiency of the vendor and its impact on the Company.

Except as specifically set forth herein, competitive bidding, proposals or negotiations shall be utilized. In order to determine the Most Favorable Costs, either proposals or competitive bids must be obtained. Requests for Proposals (RFP) should be made in those cases where there are alternative solutions.

Minority and Women Business Enterprises (MWBE)

In view of the significant portion of the Company's customers who are women and/or members of minority groups, the Company has an obligation to ensure MWBE vendors are afforded opportunities to do business with the Company. Peoples Energy is firmly committed to providing economic opportunities for minority and women owned businesses. A minority owned business is a firm that is at least 51 percent owned, operated and controlled by persons belonging to at least one of the following ethnic groups: African American, Asian American, Asian-Indian American, Hispanic American and Native American. Women owned businesses are defined as those firms that are at least 51% owned, operated and controlled by one or more women. In order to actively assist with the business development of MWBE, it will be necessary from time to time to place orders without competitive bidding. In other cases, when competitive bidding has been obtained and an MWBE is a close second, the Manager of Purchasing may award the bid to the MWBE. Orders proposed to be placed where there is an exception to competitive bidding shall be approved by the Manager of Purchasing after determining that the price proposed by the supplier is reasonable. The approved request shall be documented and retained by Purchasing. This non-competitive bidding practice will be available to a vendor only for such period as the vendor is deemed by the Manager of Purchasing to be in the process of business development so as to effectively obtain business utilizing competitive bidding.

Peoples Energy
Office of the President

Classification: General	ORDER	DATE
	10	May 1, 1999
Subject: Competitive Bid Policy	SUPERSEDING ORDER	DATED
	10	October 1, 1996

Page 2

Special Materials, Services and Management Services

In certain circumstances, a Functional Area Head/Business Unit Head (FAH/BUH) may determine that specific materials services or outside "management services", defined as a service of a specialized, professional, or highly technical nature, or one where an independent expert opinion is necessary or desirable, may be required. The responsibility for vendor contact and negotiation which is normally conducted by Purchasing shall, in these cases, be conducted by an FAH/BUH or designated representative in conjunction with Purchasing. While commitments related to such cases can be authorized by an FAH/BUH without competitive bidding, they should be competitively acquired through Purchasing whenever practical utilizing an RFP. The FAH/BUH requiring such materials, services or management services will be responsible for approving any necessary contracts or agreements. The original executed copy of such contract or agreement shall be retained in Purchasing.

Purchase Requisition

Purchase requisitions for all items must be approved in accordance with General Order 12 - Approval of Disbursement Documents and procured according to the guidelines established by this Order. Capital Budget items must also be approved in accordance with the capital budget process before orders can be placed.

<u>Estimated Bid Amount</u>	<u>Type of Bid Required</u>
\$ 0 - \$ 9,999	One Phone
\$ 10,000 - \$ 19,999	Three Phone
\$ 20,000 - \$ 99,999	Three Written
\$ 100,000 and Above	Three Sealed

Purchasing shall retain all contracts in accordance with the applicable record retention schedules.

If a requisition is received for an item estimated at less than \$100,000 after receiving or opening the first bid, the Manager, Auditing is to be notified and the applicable procedures for sealed bids are to be followed.

If a requisition is received for an item estimated at less than \$100,000 and an identical item has been competitively bid during the past one-hundred eighty (180) days and if market conditions have not changed, the bid can be awarded to the previous low bidder.

Peoples Energy
Office of the President

Classification:	ORDER	DATE
General	10	May 1, 1999
Subject:	SUPERSEDING ORDER	DATED
Competitive Bid Policy	10	October 1, 1996

Page 3

Multiple Sources of Supply

Whenever practicable, except where a supplier alliance (an agreement negotiated between the Company and supplier that is entered into for the sharing of information to a greater extent than is typical in competitive bidding) have been established, the Company will attempt to insure that multiple sources of supply are maintained.

When an item to be bid is covered by an approved Company standard that was established by the Supplies Standardization Committee in accordance with Executive Order 11 - Directors, Officers and Committees (Company Standard), only those manufacturer's products listed on the standard can be solicited and obtained (except in those cases where alternative products are being acquired for evaluation).

For those items not covered by a Company Standard, where three or more bids are requested and only one bid is received and all reasonable efforts to secure additional bids have been unsuccessful or if time constraints do not permit the solicitation of additional bids, approval shall be obtained from the Manager of Purchasing prior to the order being placed.

Dealing With Vendors

Vendor sales personnel should interviewed as soon as practical and have a fair hearing. All quotations received must be considered confidential and in no case divulged to a vendor's competition. Confidential quotations are those prepared on an individual basis for the Company. Published price lists are not considered in this confidential category.

Where competitive bidding is used, bids from reputable suppliers are not to be used to negotiate a reduction in prices from existing suppliers. Qualified vendors who submit a low bid that results in the Most Favorable Cost and who can satisfactorily perform must be awarded the purchases, subject only to those cases where multiple supply sources and MWB vendor goals would be jeopardized. Whenever possible the low bidder shall receive the job.

In all cases, bids should be awarded on a basis that is in the best interest of the Company. Fairness and, except where a supplier alliance has been established, the desire to keep multiple sources of supply available, are two guidelines that should be followed.

Bids for multiple items can be split between two or more vendors in order to obtain a lower Most Favorable Cost. Support documentation shall be approved by the Manager of Purchasing and retained by Purchasing.

Peoples Energy
Office of the President

Classification: General	ORDER 10	DATE May 1, 1999
	SUPERSEDING ORDER 10	DATED October 1, 1996
Subject: Competitive Bid Policy		

Page 4

Purchasing shall continue to maintain a list of approved vendors based on acceptable financial and service capabilities. New vendors should be added to such list whenever appropriate.

No purchases are to be made solely on the basis that a prospective supplier is also a customer of the Company.

Access By Auditing

The Manager of Auditing or a designated representative will have access to all sealed bid opening times through the Purchasing, Inventory and Payable System (PIPS). Members of the Internal Auditing Department have the authority to attend the opening, and to open and record any sealed bid.

T. M. Patrick

President

OFFICE OF THE PRESIDENT

Classification: General	ORDER 12	DATE August 13, 1998
Subject: Approval of Disbursement Documents	SUPERSEDING ORDER 12	DATED March 23, 1998

To Officers, Department Heads, and
Other Supervisory Personnel:

The term "disbursement documents," as used in this Order, includes purchase requisitions, vendors' invoices, payment requests, expense statements, cash disbursements (used for petty cash, cash advances, reimbursable expenses incurred in town and payment to any one payee for business related expenses), forms authorizing miscellaneous payments to employees, forms authorizing refunds to customers and PGL's Risk Management (or NSG's Human Resources and Claim) Department claim drafts. Checks and drafts, other than claim drafts, are excluded from such definition. Formal contracts, public accounting firms' invoices, Corporate Contributions and Matching Gifts and payroll tickets are also specifically excluded from such definition as these are covered in one or more of the following Company documents: Company By-Laws, Board Resolutions, another General Order, a Procedure Letter or a Routine. Electronic transactions relating to any Company bank accounts are also excluded. Authorization for electronic transactions is limited to selected officers as stipulated by Board Resolutions.

Approvals shall follow the direct lines of organizational authority whenever possible. In all instances, the Chairman of the Board, President, Executive Vice President, Senior Vice President, Vice President, Treasurer, Assistant Vice President, Assistant General Counsel, General Manager of NSG, or officer designated by the divisional officer having authority over an area originating a disbursement document has the authority to approve any such document, and in each of the following instances it is a requirement:

- (a) a reimbursement to an employee of more than \$1,000;
- (b) a cash advance to an employee (including officers) of more than \$500 (also requires approval by the President); and
- (c) any other disbursement to a single payee of more than \$50,000.

However, except for cash advances of \$500 or less to an officer, which may be approved by that same officer, individuals may not approve reimbursements or disbursements to themselves.

The Managers of Community Affairs are authorized to approve payments of corporate memberships covered under the approved Corporate Membership Program.

The Special Claim, Claim, Senior Claim Investigators of PGL, the Manager of NSG's Human Resources and Claim Department, and NSG employees in the Human Resources Representative job family (in the absence of the Manager of NSG's Human Resources and Claim Department) are authorized to issue drafts of \$5,000 or less in settlement of claims. In addition, a payment request can be approved by the Supervisor or the Manager of PGL's Risk Management

OFFICE OF THE PRESIDENT

Classification: General	ORDER 12	DATE August 13, 1998
Subject: Approval of Disbursement Documents	SUPERSEDING ORDER 12	DATED March 23, 1998

Page 2.

Department and the Manager of NSG's Human Resources and Claim Department up to \$50,000. The Director of the Funded and Insured Programs Department has authorization to pay all claims.

Approval of any purchase requisition for materials equipment and/or services that have been itemized and included in the Approved Capital Budget Plan (by the Board of Directors) may be given by the department head issuing the requisition (subject to Budget Department approval) in accordance with General Order 10 - Competitive Bid Policy. In addition, approval of any purchase requisitions and vendors' invoices affecting the Purchasing and Stores Department may be given by its Manager, or a designated representative.

Any disbursement document authorizing payment to any one payee of \$50,000 or less, with the exception of a reimbursement to an employee of more than \$1,000 or a cash advance of more than \$500, may be approved by the Office Manager or the Office of General Counsel.

Final written approval of any disbursement document for \$50,000 or less, but not including any document authorizing payment of a reimbursement to an employee of more than \$1,000 or a cash advance of more than \$500, may be given by the department or Section head, or Field Manager, having line authority over the area. Additionally, in the Customer Service Division, in the absence of the Vice President and the Director of the Customer Relations Department, certain managers, as designated by the Vice President, are authorized to approve customer refunds up to \$2,000; certain management employees at the Neighborhood Offices are authorized, as designated by the Manager of Customer Care, to approve customer refunds up to \$1,000. The Leaders or Coordinators in the Human Resources Division shall have unlimited authorization for approval of payroll related payment requests.

Any unusual disbursement transaction shall be brought to the attention of the President, Executive Vice President, Senior Vice President, Vice President, Treasurer or Assistant Vice President having authority over the approving employee.

In the absence of all authorized employees including the officer having line authority over the area originating the disbursement document, and in the case of disbursement documents originated by the Chairman of the Board, the Controller or Assistant Controller may give approval.

Any deviation from other foregoing authorized approvals originating subsequent to the date of this Order shall be brought to the attention of the Controller and requires written approval of the appropriate divisional officer, Executive Vice President, Senior Vice President, or the President prior to its implementation.


President

Routine 101 - Purchasing Materials and Services

INTRODUCTION

This routine represents an overview of the process involved in the purchase and payment of materials and services. Additional documentation is available from the Purchasing and Stores and General Accounting Departments, in addition to the other departments referenced in this document. General Order 10 "Competitive Bid Policy" and General Order 12 "Approval of Disbursement Documents" are also valuable references. Related on-line documentation is available within the Purchasing, Inventory and Payables System ("PIPS").

PIPS ACCESS

Unless an employee has a 'CESN' sign-on to access PIPS, a request must be submitted to I. S. Technical Services (TS). When processing is complete, TS notifies the Security Administrator in the Purchasing and Stores Department (Purchasing) or General Accounting who then assigns the appropriate level of security for the userid.

PURCHASING

TYPES OF REQUESTS

PURCHASE REQUISITIONS

The purchase of any material or service begins with the completion of a Purchase Requisition in the PIPS system by the requesting department. After a Requisition Master is completed, a Requisition Detail must be completed for each item being ordered. If it is necessary to bypass competitive bidding (see General Order 10), a Bid Waiver must also be completed. If the request is for management/consulting services, a Request for Proposal (RFP) must also be completed (see General Order 10). Approved copies of the Requisition Master, Requisition Detail, and if necessary, any Bid Waiver, Contract, and RFP are forwarded to Purchasing. General Order 12 details the appropriate levels of approval required. If the commitment involves capital expenditures, additional approval is needed from the Budget and Control Department. If the commitment is a contract, additional review and/or preparation may be needed from the Office of General Counsel.

Routine 101 - Purchasing Materials and Services

SPECIALTY ITEMS

For the purchase of certain specialty items, the following departments must be contacted to order such items. Requests must be approved in accordance with General Order 12:

SPECIALTY ITEM	DEPARTMENT	FORM NEEDED
Computer hardware and software, copier and fax equipment (excluding paper and toner)	I. S. Planning and Administrative Services	Form 376
Office remodeling, office furniture, and miscellaneous business equipment	Office Services	Letter
Books, magazines and other publications	Employee Relations - Library	Letter
Security items and services	Safety and Security	Letter
Office supplies	Purchasing and Stores - Stationary Section	Form 521
Audio visual equipment	Public Relations	Letter
Postage	Customer Relations - Customer Receipts Section	Forms 671, 671A
Telephone Equipment	I.S. Technical Services	Form 827

CREDIT CARDS

Company issued credit cards should only be used in accordance with Policies and Practices Affecting Employees Order 45 "Issuance of Company Credit Cards" and Routine 6 "Company Issued Credit Cards".

BID PROCESS

Routine 101 - Purchasing Materials and Services

Upon receipt of a Requisition Master, Requisition Detail and any Bid Waiver, Purchasing reviews these documents for completeness and proper approvals. A buyer is assigned and selects potential vendors through an inquiry process. As part of this process, the buyer may combine requisitions, review historical bid and purchase information, and establish new vendors. The buyer evaluates the returned bids and awards the commitment to a vendor. Additional details on the bid process are available in General Order 10.

PURCHASE ORDERS/CONTRACTS

When a vendor has been selected, a purchase commitment is created by completing the Order Master and Order Detail screens. The purchase commitment can take the form of a Purchase Order or Contract, either of which can be for a one time commitment ("one shot"), or a blanket order which involves the receipt of the material or service over a period of time. Contracts are necessary for transactions greater than \$100,000, all main jobs, and as deemed necessary by Purchasing or the requesting department. Purchase Orders (approved by the Manager or Administrator of Purchasing), and approved Contracts are forwarded to the vendor.

If any service is to be performed on Company facilities, which includes work at Company locations and activities such as main jobs, the commitment also needs to be verified that the vendor has sufficient insurance coverage, for the work to be done. Risk Management maintains documentation relating to insurance requirements. Purchasing also has the authority to decide whether coverage is sufficient, based on guidelines established by Risk Management. If Purchasing's file indicates the vendor's insurance information has expired, the vendor will be contacted and an updated Certificate of Insurance will be requested. If the vendor's insurance coverage is inadequate, Purchasing may request a Waiver of insurance standards be considered by Risk Management. If the request is rejected, Purchasing will notify and advise the requesting department that written authorization to proceed must be obtained from the divisional Vice President.

Ordering of material or service on a receipted type blanket order or contract is done through a shipment release entered into PIPS by the requesting department. A release number is generated in PIPS for control purposes. The shipment release is forwarded to the vendor by the requester.

A confirming order is a commitment with a vendor recorded after the order has been given to the vendor. This should only be used in emergency situations.

Routine 101 - Purchasing Materials and Services

A convenience order is a commitment with a vendor to purchase unspecified items over a period of time. An example would be an order with a hardware store. Rather than listing every possible item in its inventory, a general description with a dollar and time limit would be specified on the order. When issuing a shipment release, items are added at the order detail level as needed, and would be charged against the order limit amount.

CHANGE ORDERS

When it is necessary to make changes to contracts, purchase orders, or shipment releases, a change order is initiated in PIPS by the department who placed the original request. The Change Order Master and Detail are approved according to General Order 12 for changes in dollars or quantities, and forwarded to Purchasing for further processing. Department head approval is needed to extend the date of an order.

RECORDING RECEIPTS

If an order has been established as a receipted type, whether it is a one-shot or a blanket transaction, when the material or service is received, the actual items delivered are verified with any delivery ticket, and appropriate information is entered to the RCPT screen in PIPS by an authorized employee in the area that established the purchase order. Any questions regarding discrepancies between orders and actual receipts should be directed to Purchasing.

PAYABLES

The General Accounting Department is responsible for processing the payment of invoices and payment requests. When a payment request or a vendor invoice related to an approval type purchase order (an order set up so an authorized signature on the invoice indicates approval to pay) is presented to General Accounting for payment, approvals in accordance with General Order 12 need to be obtained before the payment can be executed in PIPS.

When processing invoices related to receipted type purchase orders, the receipt must be entered in PIPS by the appropriate department before payment can be made. After General Accounting has verified receipt, the payment can be executed and should be paid in order to take advantage of any favorable payment terms and the application of any outstanding credits.

Routine 101 - Purchasing Materials and Services

When a prepayment is required, an approved Payment Request Form must be prepared and submitted to General Accounting. In these situations, care must be taken to avoid subsequent payment of the vendor generated invoice received, or a redundant submission of another payment request, after execution of the payment. An approved vendor's invoice detailing the goods or services received is preferred for payment. General Accounting discourages the use of payment requests whenever possible.

The General Accounting Department has a 'PIPS User's Guide and Instruction Manual' which further documents the payable process.

SUMMARY

As previously mentioned, the scope of this routine covers the purchase and payment of materials and services. Additional documentation is available on-line in PIPS, in General Order 10 "Competitive Bid Policy", and General Order 12 "Approval of Disbursement Documents".

The Peoples Gas Light and Coke Company

DOCKET NO. 03-0162

RESPONSE TO DATA REQUEST: SDR 1.007

RESPONSIBLE WITNESS: MATUSZAK

7. REQUEST:

Provide the date when the MGP environmental cleanup purchasing and contracting procedures were most recently changed, identify each procedure that was changed, and explain why each change was made.

RESPONSE:

General Orders No. 10 and 12, and Routine 101 were in effect during the current reconciliation period. Copies of versions of each General Order in effect during the reconciliation period, as well as Routine 101, are attached to the Company's response to SDR 1.006. The version of General Order No. 10 that was in effect, during the reconciliation period became effective on May 1, 1999. The version of General Order No. 12 in effect during the reconciliation period became effective August 13, 1998. Revisions were made to improve the Company's purchasing practices.